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Chairman: Mr. Rae Kwon CHUNG (Republic of Korea)
(Vice-Chairman)

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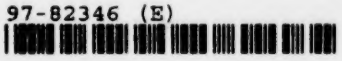

In the absence of Mr. de Rojas (Venezuela), Mr. Rae Kwon Chung (Republic of Korea), Vice-Chairman, took the Chair.

The meeting was called to order at 3.15 p.m.

AGENDA ITEM 96: SECTORAL POLICY QUESTIONS (continued) (A/52/139, A/52/284, A/52/347, A/52/447-S/1997/775, A/52/460)

(a) INDUSTRIAL DEVELOPMENT COOPERATION (continued) (A/52/480)

(b) BUSINESS AND DEVELOPMENT (continued) (A/52/413, A/52/428)

1. Mr. OLARTE (Colombia) said that a strong public sector was necessary in order for the developing countries to benefit from the opportunities created by the liberalization of world trade and the globalization of the financial system. Governments must create an enabling environment by implementing, inter alia, stable monetary fiscal and exchange policies and measures to improve the distribution of income and to deregulate foreign capital. Entrepreneurs in developing countries must be prepared to participate in a globalized economy that demanded efficiency, competitiveness, productivity and high profits.

2. The privatization being gradually implemented by the Governments of developing countries would require foreign private capital in the form of external loans to the private sector or foreign direct investment. Ideally, foreign private capital should supplement national private capital; to that end, the entrepreneurs of developing countries must be prepared to enter into strategic partnerships with their foreign counterparts to launch new projects. The developing countries should bear in mind that private investors were interested only in projects that were financially attractive and were therefore unlikely to invest in social projects. In the financial, agricultural, industrial and commercial sectors, entrepreneurs of developing countries would face stiff competition from their foreign counterparts. It was therefore crucial to take the necessary steps and precautions in order to ensure the transfer of technology to developing countries for, inter alia, industrial processes and administrative, financial and commercial management.

3. In conclusion, while the liberalization and deregulation of international trade and globalization of the financial system would be a boom to the world economy, it would aggravate unemployment in the developing countries and widen the gap between rich and poor nations.

4. Ms. DJATMIKO-SINGGIH (Indonesia) expressed her delegation's concern at the late issuance of documentation on the agenda item. Such delays would disrupt the Committee's carefully planned programme of work.

5. Her delegation attached great importance to the industrial development of Africa, particularly within the context of globalization. It agreed with the analysis contained in the report of the Secretary-General on the implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002) (A/52/480, para. 5). Africa's overall poor economic performance was rooted in poor industrial performance. Africa's traditional sources of

comparative advantage - abundant natural resources and low-cost labour - were no longer sufficient to guarantee competitiveness; instead industrial and technological capacity were increasingly seen as the determining factors of growth. In that context, her delegation supported the work of the Economic Commission for Africa (ECA), the United Nations Industrial Development Organization (UNIDO) and the Alliance for Africa's Industrialization all of which were helping to enhance Africa's competitiveness in the industrial sector. The launching of the Alliance was particularly encouraging, given the crucial role of the private sector in revitalizing the economy and promoting competitiveness; it deserved strong support. Since the rapid surge in globalization was making the task of industrialization even more formidable, the programmes and projects being carried out within the framework of the Second Industrial Development Decade should be adapted to the new context of globalized trade, investment and technology.

6. She reaffirmed her delegation's strong support for UNIDO, which continued to play a crucial role in the industrialization of the developing countries, particularly in Africa; that role must be further strengthened. Her delegation also welcomed the successful reform process carried out by UNIDO; the latter was an invaluable source of information that could provide the developing countries with an impartial and independent analysis of global, regional, national and sectoral issues. She praised, in particular, its role as a policy forum and the support it provided for institution-building and other forms of technical cooperation and assistance in the field of industrialization. The industrialization process would build technological skills and national capacities that were essential for Africa's development in the twenty-first century.

7. Mr. YOSHINO (Japan), while welcoming the report of the Secretary-General on entrepreneurship and privatization for economic growth and sustainable development (A/52/428), said that his delegation would have preferred to have seen it provide a more thorough analysis. Small and medium-sized enterprises played a vital role in the development process in developing economies. They created jobs, strengthened support industries in developing economies and contributed to overall economic growth. Healthy small and medium-sized enterprises helped to ensure that a country's exports were competitive. That was particularly important in developing economies where the domestic market was not large. They also ensured that foreign direct investment and technology received from the industrialized countries were properly utilized and disseminated in the local economy.

8. Small and medium-sized enterprises must enhance their efficiency through better business accounting, production management and marketing techniques. At the same time, the Governments of developing countries must create a favourable environment for the activities of small and medium-sized enterprises. In that connection, attention must be focused on human resources development, including job training and the development of skills; credit mechanisms; the establishment of the necessary legal framework, including legal mechanisms; the creation of a sound macroeconomic environment; and the promotion of basic research. Japan, which had traditionally stressed the building of infrastructure in its development cooperation policy, would continue to support such initiatives by the Governments of developing countries through its bilateral development

cooperation programme, in particular, its two-step loan mechanism and its contributions to multilateral agencies.

9. The success of the Grameen Bank of Bangladesh had demonstrated the usefulness of micro-credit. As micro-enterprises generally grew out of the informal sector and were often a means for women or other disadvantaged persons to become economically independent, micro-credit was becoming an increasingly useful tool for eradicating poverty. As a new member of the Consultative Group to Assist the Poorest (CGAP), Japan was supporting the work of United Nations development agencies. It was also providing technical cooperation to micro-finance institutions in developing countries through the dispatch of Japan Overseas Cooperation Volunteers.

10. His delegation strongly believed that UNIDO must make an unprecedented effort to stress industrial development in Africa, particularly as it was the primary planning and executing agency of the United Nations system for the Second Industrial Development Decade for Africa. Japan had supported UNIDO activities in that area, particularly its activities in human resources development and capacity-building. His Government had already called for UNIDO to adapt its activities to a new development strategy. Greater emphasis should be placed on the Organization's comparative advantage through the promotion of private-sector activities in trade and investment.

11. In conclusion, his delegation was prepared to cooperate actively with the new Director-General in implementing the reform of UNIDO. It hoped that, as a result, UNIDO would specialize in certain activities, such as policy guidance, and that its programme activities and organizational management would be more efficient.

12. Mr. Euy-Taek KIM (Republic of Korea) welcomed the efforts of UNIDO and ECA to implement the programmes of the Second Industrial Development Decade for Africa (1993-2002). The role of UNIDO in promoting the industrial development of developing countries should be strengthened.

13. Capital accumulation was a key factor in economic growth. While domestic savings provided the bulk of development resources, foreign direct investment, through the transfer of technology and the provision of such opportunities as access to international markets and linkages with international networks, generally resulted in a more efficient use of resources and higher productivity. In that context, his delegation stressed the importance of the least developed countries' efforts to create an enabling environment for foreign direct investment and encouraged the United Nations system to strengthen its support to build their capacity-building in that area. In 1995, in an effort to assist capacity-building, his Government had sponsored a joint workshop with UNIDO, which had focused on the experience of the Republic of Korea and its relevance to African countries. In early 1997, it had sponsored a sectoral specialization course on industrial development in Africa in cooperation with ECA.

14. His delegation welcomed the comprehensive report of the Secretary-General on entrepreneurship and privatization for economic growth and sustainable development (A/52/428) and supported the recommendation that the organizations of the United Nations system should be encouraged to support entrepreneurship,

privatization, demonopolization and deregulation (para. 72). However, since the private sector was weak in most developing countries, governments should provide assistance in the areas of finance, research and development, new technologies and physical infrastructure. The development experience of his own country had shown that a strong public-private partnership was very effective.

15. His delegation also believed that a micro-credit programme, particularly one designed to attain gender objectives, would help to alleviate poverty and introduce market economies in the least developed countries and economies in transition. Accordingly, in 1996, it had sponsored an international conference on reviving private investment in Africa and on gender leadership development. It planned to organize expert group meetings on micro-credit for enterprise development in Africa in cooperation with the Office of the Special Coordinator for Africa and the Least Developed Countries (OSCAL). In conclusion, he wished to reaffirm that the Republic of Korea was prepared to share the lessons learned from its own development experience with other developing countries.

16. Mr. TANASESCU (Romania) expressed his delegation's support for the statement delivered by the representative of Luxembourg on behalf of the European Union on business and development. The globalization process and the increasingly vital role of small and medium-sized enterprises in economic development were closely linked. While globalization was a macroeconomic phenomenon, the impact of small and medium-sized enterprises was micro-economic in nature.

17. The capacity of small and medium-sized enterprises to adapt to market trends, the efficiency of their activities and their high degree of specialization made them engines of growth. Through subcontracting arrangements, they had become the principal partners of transnational corporations which, together with governments, were their chief promoters. As the contribution of small and medium-sized enterprises to the gross domestic product became larger, governments created a favourable climate for their activities at the national level and offered them political and financial incentives. In the long term, they would help change the way investment, credit, banking, research and other activities were conducted.

18. Romania's experience in promoting small and medium-sized enterprises had been characterized by the kinds of difficulties outlined in the report of the Secretary-General. The private sector now accounted for nearly half the Romanian gross domestic product. Since 1990 successive Governments had focused on privatizing large enterprises and supporting individual initiatives to establish small and medium-sized enterprises. Under the latest amendment to the 1991 investment law Romanian and foreign investors enjoyed favourable conditions for their activities. Among the difficulties Romania had encountered in its privatization process were limited access to information on the market, the at-times subjective obstacles posed by banks, and insufficient managerial and decision-making personnel.

19. In its efforts to develop small and medium-sized enterprises, Romania had received constant support from the United Nations system. One successful project had been the establishment, in 1991, of the National Centre for the Promotion of Small and Medium-sized Enterprises with support from UNDP. In the

past six years, the Centre had helped to train personnel, and had provided expert advice on market analysis, relations with other small and medium-sized enterprises and investment activities. Aware that the problems of small and medium-sized enterprises were common to all the economies in transition, his delegation supported the idea of converting the Centre in Bucharest into a subregional project, which would, inter alia, promote direct linkages among the small and medium-sized enterprises of the countries benefiting from its assistance.

20. Mr. APDAL (Malaysia) said that small and medium-sized enterprises were an essential component of his Government's policy to stress productivity over investment-driven growth. In Malaysia, small and medium-sized enterprises accounted for more than 84 per cent of all manufacturing activities. Experience in many countries had shown that they could cushion recessionary pressures and help to stabilize the economy.

21. Small and medium-sized enterprises had difficulty in adopting advanced technologies, employing skilled workers and increasing their production capacity. Unable to expand their markets, they often failed to benefit from economies of scale derived from large-scale production. Aware of those problems, his Government had introduced measures to support the development of such enterprises: it had established a policy framework, a funding mechanism; a Ministry of Entrepreneur Development and a special development corporation for such enterprises; it had also promoted the improvement of marketing techniques, technology development and acquisition procedures. Those measures were aimed at promoting the growth of technology-based start-up companies and strengthening technical services to small and medium-sized enterprises.

22. Technology and finance were equally important. In countries where financial support had outweighed technical support such enterprises remained dependent on financial incentives and uncompetitive in the global marketplace. Malaysia had set up vendor development and localization programmes in order to help small and medium-sized enterprises to function in the market place through the establishment of close linkages with large and multinational corporations.

23. His delegation agreed with the Secretary-General on the need for partnership between the public and private sectors. Governments must provide the necessary regulatory framework for the development of the private sector. The Malaysia Incorporated Policy and Privatization initiative had helped to promote cooperation between the two sectors. The privatization of certain activities, particularly utilities and infrastructure, had released government resources for other areas that did not interest the private sector. At the same time it had taken steps to protect its economy from the excesses of privatization.

The meeting rose at 4 p.m.